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Cost Controls

25X1 2. We found management cost conscious and giving considerable attention to process improvement and increased efficiency. PSD is a leader in the field of developing and patenting new printing techniques, especially in computerized photo typesetting. PSD has been given a large number of awards under the Incentive Awards Program, and received a Presidential citation for reducing the printing costs of [REDACTED], with an annual saving of \$80,000.

3. A possible exception is to be found in the Photography Branch where both cost and quality controls stand in need of improvement. PSD estimates the cost of each job in terms of labor, materials, and overhead on the basis of ground rules worked out with the Office of Finance. Although costs are allocated by customer, all are actually charged against PSD's annual operating budget. The approximate allocations by major component for fiscal years 1965 and 1966 are as follows:

DCI  
DD/P  
DD/I  
DD/S&T  
DD/S  
Total

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4. Actually, PSD does not have full control over the Agency's annual printing and reproduction costs. The economies it can effect are limited to those that derive from improving its own internal efficiency or that can be negotiated with its customers. The system by which costs are allocated against customer requirements is generally satisfactory for PSD's internal accounting, but it provides no incentive for PSD's customers to reduce costs by controlling requirements. It is in human nature to be less concerned about expenditures that one does not have to defend.

5. We believe that if the customer had to pay for his printing services he would be much less likely to submit orders that are not essential. A good illustration is to be found in the case of the National Intelligence Surveys (NIS), which are compiled by the Office of Basic Intelligence. OBI submits to PSD a typed rough draft of each of the NIS General Sections. PSD then types, prints, and binds it in virtually finished form and returns it to OBI for review by a subcommittee of the USIB. This review usually results in major changes and requires the expenditure of additional hundreds of PSD man-hours on each such section. The reworking of each section costs an estimated \$500 to \$1,500 depending on the size of the job. Some thirty General Sections were published in FY 1966 and about the same number is scheduled for FY 1967. Thus, PSD will spend from \$15,000 to \$45,000 per year on a frill that we think could be foregone. Over

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the years, PSD has repeatedly questioned OBI on the validity of the need for this duplication of effort but has not succeeded in getting agreement on a less wasteful arrangement. If OBI had to defend this expenditure in its own budget, we think it likely that OBI would be more amenable to recommendations for a more efficient and less costly procedure.

It is recommended that:

No. 1

The Deputy Director for Intelligence:

a. Instruct the Director of Basic Intelligence to examine with the Chief, Printing Services Division, alternatives to the present method of arriving at a finished publication, with a view toward eliminating double printing operations.

b. If no acceptable alternative can be agreed upon, submit to the Executive Director-Comptroller written justification for continuing present practices.

6. Present procedures for cost allocation and control provide little incentive for customers to reduce printing and reproduction costs. We discussed possible alternatives with representatives of the Office of Planning, Programming and Budgeting. PPB feels, as do we, that the most effective way of furnishing incentive to reduce costs would be to require customer components to include printing costs in their own budgets. Unfortunately, this seems not to be feasible. Most of PSD's costs are for salaries, which cannot easily be fragmented to the users. We agree with PPB's conclusion that the cost accounting cure may be more painful than the disease.

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Photography Branch

25X1 7. The Photography Branch of PSD is housed in jerry-built laboratories at [REDACTED], which are clearly unsatisfactory. This defect will be corrected when the branch moves to the new building with its new and more efficient equipment. We believe, though, that economies and improvements are possible in photographic operations regardless of the nature of the physical plant.

8. We see distinct evidence of significant indirect or hidden costs arising from poorly maintained equipment, inadequate quality controls, and insufficient regard for waste. We gave to Chief, PSD, a list of deficiencies that we were able to identify, ranging from loose control of solution temperatures to poor maintenance of sensitive photographic equipment. Most of these faults can be attributed directly to a shortage of qualified personnel.

9. Graphics Register of the Office of Central Reference is PSD's largest customer for photographs. PSD processed 520,000 prints and 150,000 negatives for Graphics Register last year. The register is generally satisfied with PSD's service; however, there are areas in which PSD's support could be improved through closer working relations with Graphics Register.

a. One of these areas is in the field of color photography. The requirements for color photography are expanding rapidly and can be expected to continue to expand. An example is PMSAC's

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increasing requirements for reproduction of films on Soviet missile programs. Without denigrating PSD's current performance, the Chief of the Graphics Register expressed reservations to the inspectors on the capacity of PSD to handle the increased workloads that can be anticipated.

b. About one-half of the prints for Graphics Register are processed by three commercial contractors: [REDACTED]

[REDACTED] PSD is not equipped to process some of this work in its own laboratories. Graphics Register commented to us that these externally-processed prints are of uneven quality and deliveries are somewhat erratic. We discuss the security aspects of these external processing arrangements in a subsequent section of Security.

c. Both Graphics Register and PSD log the photographs sent to and received from the contractors. This seems to us to be needless duplication. If this logging were eliminated in PSD the photographic scheduler and the clerk in PSD who spend nearly full time on this task could be freed for other work.

d. Because not all of Graphics Register's personnel are competent to judge the quality of prints and negatives, they occasionally accept inferior photographs. They would profit from closer contact with and orientation by PSD photo-technicians.

e. Graphics Register has its own internal facilities for processing crash photo jobs. With the move of PSD to its new

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space adjacent to the Headquarters Building, there should be no need for Graphics Register to retain its photo processing capability. We believe a decision should be reached now as to the future of the Graphics Register personnel and equipment involved.

f. PSD uses special equipment to eliminate the black line that appears on prints of photography taken with the 70 millimeter camera. We find that Graphics Register considers this operation unnecessary; yet, PSD has spent thousands of man-hours on it in recent years. Closer collaboration between Graphics Register and PSD could have eliminated the operation long ago.

It is recommended that:

No. 2

The Deputy Director for Intelligence charge the Chief, Graphics Register, with responsibility for arriving at mutually satisfactory arrangements with the Chief, Printing Services Division, regarding the following:

a. PSD's capacity to meet increasing requirements for color and motion picture photography.

b. Improvement in delivery times to Graphics Register, especially of prints made under contract

c. Quality control of photographs delivered to the Graphics Register.

d. Improving the skills of Graphics Register personnel in judging the quality of photographic products.

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e. Elimination of duplicate handling of photography by Printing Services Division and by Graphics Register.

f. Elimination of Graphics Register's photographic processing facilities when Printing Services Division moves to its new building.

## ROUTING AND RECORD SHEET

SUBJECT: (Optional)

### Inspector General's Survey of Printing Services Division

|                   |           |                     |
|-------------------|-----------|---------------------|
| FROM:             | EXTENSION | NO.                 |
| Inspector General |           |                     |
|                   |           | DATE<br>21 SEP 1966 |

| TO: (Officer designation, room number, and building) | DATE     |           | OFFICER'S INITIALS | COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.) |
|--|----------|-----------|--------------------|---|
|  | RECEIVED | FORWARDED |                    |   |

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|-------------------------------------|--|--|--|---|
| 1. Deputy Director for Intelligence |  |  |  | <p>Attached are two copies of portions of the IG Survey of Printing Services Division, OL, DDS, which are of interest to or for action by the Intelligence Directorate.</p> <p style="text-align: right;">/s/ J. S. Earman</p> <p style="text-align: right;">J. S. Earman</p> |
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